Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 STATE 134720

62
ORIGIN OPIC-12

INFO OCT-01 ARA-16 ADP-00 EB-11 XMB-07 COME-00 TRSE-00

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DRAFTED BY: OPIC/GC: PETER R. GILBERT
APPROVED BY: EB/IFD/OIA: M. KENNEDY
OPIC/GC: CECIL HUNT
EB/IFD/OIA: W.H. COURTNEY
ARA/BC: DERBE
---------- 045668
R 102200Z JUL 73
FM SECSTATE WASHDC
TO AMEMBASSY SANTIAGO

C O N F I D E N T I A L STATE 134720

FROM OPIC

E. O. 11652: GDS

RE: CONTINENTAL COPPER AND STEEL INDUSTRIES, INC.

1. OPIC ADVISED THAT REPRESENTATIVES OF CONTINENTAL COPPER AND STEEL INDUSTRIES , INC. (CCS) INTEND TO ARRIVE SANTIAGO ON OR ABOUT JULY 15 TO CONTINUE DISCUSSIONS HELD DURING PAST 2 WEEKS AMONG REPRESENTATIVES OF SAGASCA, CCS, CODELCO, INTERNATIONAL FINANCE CORPORATION AND DOWA MINING LIMITED.

2. CCS HAS ADVISED OPIC AS FOLLOWS:

A. AT THESE MEETINGS THERE WAS GENERAL AGREEMENT UPON AN APPROACH TO BE TAKEN, ALTHOUGH A NUMBER OF THE DETAILS OF THE PROPOSED ARRANGEMENTS ARE YET TO BE RESOLVED AND ALL PARTIES RESERVED THEIR POSITIONS PENDING DISCUSSION OF THE PROPOSED APPROACHED

WITH OTHER NECESSARY PARTIES, INCLUDING THE CENTRAL BANK OF CHILE AND,

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PAGE 02 STATE 134720

IN THE CASE OF DOWA, CERTAIN JAPANESE GOVERNMENTAL AGENCIES. IT

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

WAS AGREED THAT IN VIEW OF THE URGENCY OF THE SITUAION THE PARTIES
WOULD MEET AGAIN AS SOON AS POSSIBLE WITH THE PURPOSE F
EFFECTUATING THE NEW ARRANGEMENTS. MEETINGS IN CHILE FOR
THIS PURPOSE ARE NOW SCHEDULED FOR JULY 16TH

B. THE BASIC PRINCIPLES UPON WHICH THE NEW ARRANGEMENT
IS EXPECTED TO BE BASED, AND AS TO WHICH THERE WAS GENERAL
AGREEMENT AMONG THE PARTIES, ARE AS FOLLOWS:

1. CCS WOULD GIVE UP A SUFFICIENT EQUITY INTEREST IN
SAGASCA SO THAT ITS EQUITY INTEREST AND THAT OF CODELCO BECOME
EQUAL. CCS WOULD BE PAID FOR ITS SURRENDERED EQUITY INTEREST ON
THE BASIS OF ITS INVESTED COST OF THAT INTEREST AND PAYMENT WOULD
BE MADEOVER A TERM TO BE AGREED UPON.

2. CODELCO WOULD HAVE EQUAL REPRESENTATION WITH CCS
ON SAGASCA'S BOARD OF DIRECTORS, AND THERE WOULD BE JOINT PARTI-
CIPATION BY CCS AND CODELCO IN SAGASCA'S MANAGEMENT OPERATIONS,
WITH EACH HAVING THE ABILITY TO VETO MANAGEMENT ACTIONS OF THE
OTHER.

3. THE PRESENT SALES AGENCY AGREEMENT BETWEEN CCS
AND SAGASCO WOULD PROBABLY BE MODIFIED OR PERHAPS SOLD BY CCS
TO SAGASCA, ON TERMS WHICH HAVE YET TO BE NEGOTIATED.

4. ALL FOREIGN EXCHANGE REVENUES FROM SAGASCA'S
OPERATIONS WOULD BE TURNED OVER BY SAGASCA TO THE CENTRAL BANK OF
CHILE AFTER LIQUIDATING ITS PRESENT INVENTORY FINANCING. THE CENTRAL
BANK WOULD, IN TURN, OBLIGATE ITSELF TO DISCHARGE ALL FOREIGN
EXCHANGE AND LOCAL COSTS OF SAGASCA. REVENUES TURNED OVER TO THE
CENTRAL BANK UNDER THIS ARRANGEMENT WOULD FIRST BE USED TO PAY (OR
TO REIMBURSE THE CENTRAL BANK FOR HAVING PAID) SAGASCA'S FOREIGN
EXCHANGE COSTS OTHER THAN DEBT SERVICE. THE REMAINING REVNEUES WOULD
THEN BE APPLIED PERIODICALLY BY THE CENTRAL BANK ON A FORMULA TO
BE AGREED UPON.

5. SAGASCA'S LENDERS WOULD ACCEPT A MORATORIUM ON
INTEREST AND PRINCIPAL PAYMENTS FOR UP TO SIX MONTHS AND THEREAFTER
WOULD NOT EXERCISE THEIR RIGHTS AND REMEDIES UNDER THEIR EXISTING
LOAN AGREEMENTS AS LONG AS THE AGREEMENTS GIVING EFFECT TO THE
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PAGE 03 STATE 134720

NEW ARRANGEMENTS, INCLUDING THE FOREGOING OBLIGATIONS OF THE
CENTRAL BANK OF CHILE, ARE OBSERVED.

6. PENDING THE EFFECTUATION OF THE FOREGOING ARRANGE-
MENTS, THE CENTRAL BANK WOULD MAKE AVAILABLE TO SAGASCA
SUFFICIENT ESCUDOS TO MEET ANY DEFICIENCIES IN LOCAL OPERATING
COSTS DURING THIS INTERIM PERIOD.
3. OPIC HAS INDICATED TO CCS THAT IT HAS NO OBJECTION TO

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

CCS CONTINUING SUCH NEGOTIATIONS IN ACCORDANCE WITH PRINCIPLES
OUTLINED PARA 2. OPIC HAS ADVISED CCS THAT IT MAY KEEP WASHINGTON
INFORMED AS TO PROGRESS BY REPORTING THROUGH EMBASSY.
ROGERS
GP-4

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